

**SOUTHWEST APPLIED  
TECHNOLOGY COLLEGE**

FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION  
with  
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2005

*Wilson & Company*  
Certified Public Accountants / A Professional Corporation

# **SOUTHWEST APPLIED TECHNOLOGY COLLEGE**

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# Wilson & Company

Certified Public Accountants / A Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of the  
Southwest Applied Technology College  
Cedar City, Utah 84720

We have audited the accompanying financial statements of the Southwest Applied Technology College (SWATC), a component unit of the State of Utah, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the SWATC's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the SWATC is a component unit of the State of Utah and is reported in the State's *Comprehensive Annual Financial Report* as a portion of the Utah College of Applied Technology. The financial statements of the SWATC are intended to present the financial position and financial activity of only that portion of the financial reporting entity of the State that is attributable to the transactions of the SWATC.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the SWATC, a component unit of the State of Utah, as of June 30, 2005, and the results of its operations and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2006 on our consideration of SWATC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information as listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
WILSON & COMPANY  
Certified Public Accountants

Cedar City, Utah  
March 10, 2006

**SOUTHWEST APPLIED TECHNOLOGY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2005**

As management of the Southwest Applied Technology College: A Utah College of Applied Technology Campus (SWATC), we offer readers of the SWATC's financial statements this narrative overview and analysis of the financial activities of the SWATC for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here as an overview of the operations of the SWATC.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the SWATC's basic financial statements. The SWATC's basic financial statements comprise four components: 1) the Statement of Net Assets; 2) the Statement of Revenues, Expenses, and Changes in Net Assets; 3) the Statement of Cash Flows; and 4) the Notes to the Financial Statements.

**Statement of Net Assets.** The Statement of Net Assets provides information on the SWATC's assets and liabilities at the end of the fiscal year, with the difference between the two reported as net assets. The information provided in the Statement of Net Assets – along with disclosures and other information contained in the Statement of Revenues, Expenses, and Changes in Net Assets, the Statement of Cash Flows, and the accompanying notes helps users assess, among other things, the SWATC's liquidity, and its ability to meet its obligations.

**Condensed Statement of Net Assets and Comparison to FY 2004**

	2004	2005
Current and other assets	\$ 328,849	\$ 811,528
Capital assets	<u>\$ 1,673,971</u>	<u>\$ 1,587,164</u>
Total assets	<u>\$ 2,002,820</u>	<u>\$ 2,398,692</u>
Long-term liabilities outstanding	\$ 1,294,021	\$ 1,202,841
Other liabilities	<u>\$ 84,208</u>	<u>\$ 473,138</u>
Total liabilities	<u>\$ 1,378,229</u>	<u>\$ 1,675,979</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 379,950	\$ 384,323
Unrestricted	<u>\$ 244,641</u>	<u>\$ 338,390</u>
Total net assets	<u>\$ 624,591</u>	<u>\$ 722,713</u>

As noted earlier, net assets may serve over time as a useful indicator of an institution's financial position. In the case of the SWATC, assets exceeded liabilities by \$722,713 at the close of the fiscal year. A significant portion (54%) of the SWATC's net assets of \$722,713 reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture

and equipment), less any debt obligations under our capital lease used to acquire those assets that are still outstanding. The SWATC uses these capital assets to provide services to students so, consequently, these assets are not available for future spending. Although the SWATC's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets, \$338,390, may be used to meet the SWATC's ongoing obligations to students, employees, and creditors.

**Statement of Revenues, Expenses, and Changes in Net Assets.** The Statement of Revenues, Expenses, and Changes in Net Assets provides information to users both about the operating performance of the SWATC and the effects of non-operating transactions and events that change the amount of net assets of the SWATC. The information in this statement, together with information in the Statement of Net Assets, the Statement of Cash Flows and accompanying notes, should assist users of the SWATC's financial statements in evaluating the SWATC's performance during the fiscal year and how well management has discharged their stewardship responsibilities and other aspects of their duties.

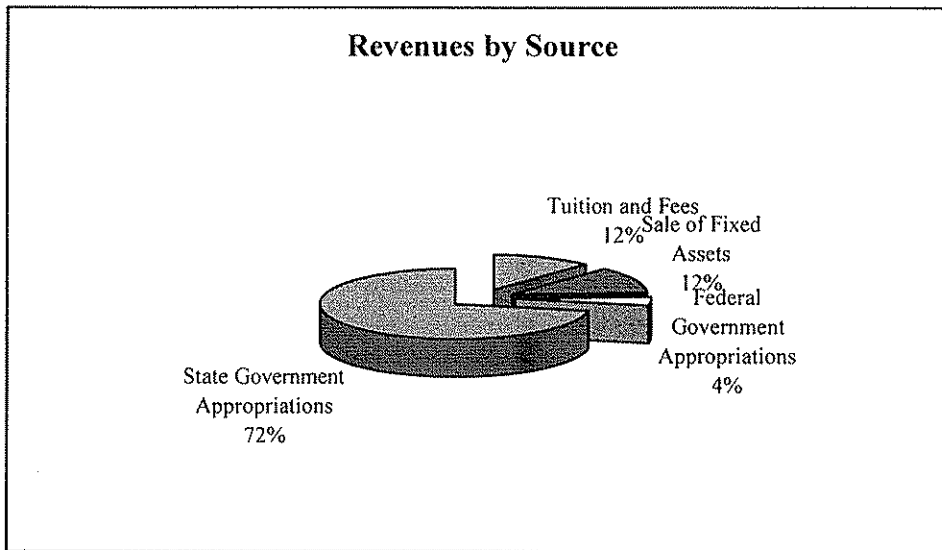
#### **Condensed Statement of Revenues, Expenses and Changes in Net Assets**

	FY '04	FY '05
Operating Revenues	\$ 148,878	\$ 278,428
Operating Expenses	\$ 2,014,214	\$ 2,266,072
Operating Loss	\$ (1,865,336)	\$ (1,987,644)
Non-operating Revenue	\$ 2,008,054	\$ 2,124,587
Non-operating Expense	\$ (41,476)	\$ (38,821)
Non-operating gain	\$ 1,966,578	\$ 2,085,766
Net Assets-Beginning of Year	\$ 523,349	\$ 624,591
Net Assets - End of Year	\$ 624,591	\$ 722,713
Change in Net Assets	\$ 101,242	\$ 98,122

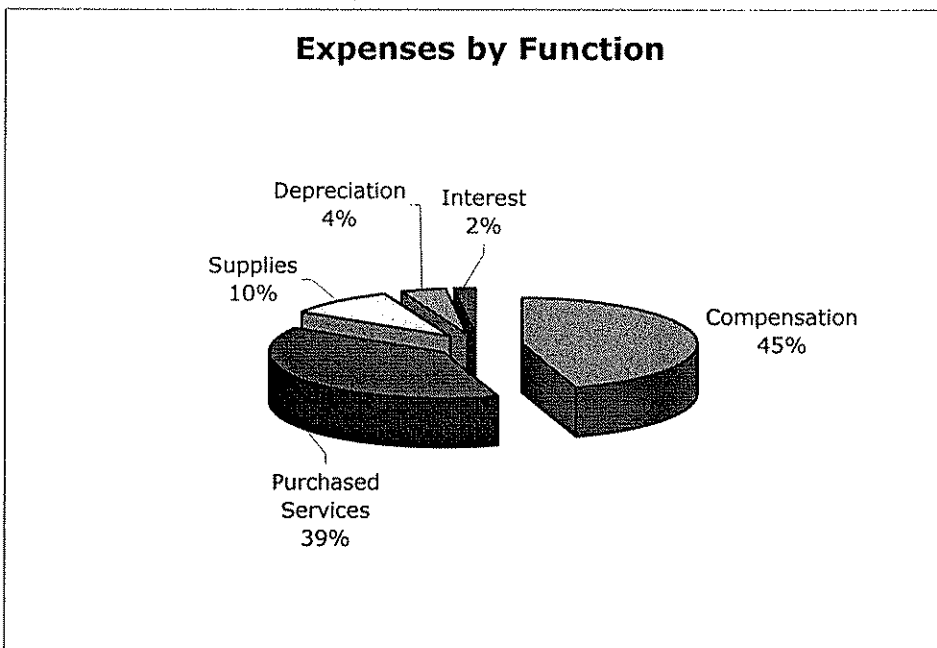
The SWATC experienced a net operating loss of \$1,987,644 during the fiscal year. The SWATC is a State institution and receives a large portion of its revenues from State Appropriations. These appropriations are classified in the financial statements of the SWATC as non-operating revenues. The State appropriation is anticipated as a means of covering the majority of the costs of operating the SWATC.

The revenue comparison between fiscal year 2005 and 2004 shows an increase in total non-operating revenues of \$111,153. The greatest increases in revenue were from State Appropriations and Sale of Capital Assets. Operating revenues, primarily tuition and fees, rose by \$129,550, corresponding with a significant increase in adult membership hours and Professional Truck Driving students compared to fiscal year 2004. Operating expenses increased by \$251,858, due primarily to increases in salaries and benefits related to increased program offerings and the transfer of programs to SWATC from SUU. The \$98,122 increase in net assets reflects increased equity in the SWATC main campus building and significant equipment purchases in the Information Technology program.

## Revenues by Source



## Expenses by Function



**Statement of Cash Flows.** The Statement of Cash Flows provides information about the cash receipts and cash payments of the SWATC during the fiscal year. When used with related disclosures and information in other financial statements, a statement of cash flows should help financial statement report users assess the SWATC's ability to generate future net cash flows; its ability to meet its obligations as they come due; the reasons for differences between operating income and the associated cash receipts and payments; and the effects on

the SWATC's financial position of both its cash and non-cash investing, capital, and financing transactions during the fiscal year.

### Condensed Statement of Cash Flows

	<u>FY '04</u>	<u>FY '05</u>
Cash provided (used) by:		
Operating Activities	\$ (1,799,051)	\$ (1,508,458)
Non-capital Financing Activities	\$ 2,234,750	\$ 1,698,198
Capital Financing Activities	\$ (121,882)	\$ 164,892
Net Increase (Decrease) in Cash	\$ 313,817	\$ 354,632
 Cash – Beginning of Year	 <u>15,032</u>	 <u>\$ 328,849</u>
Cash – End of Year	<u>\$ 328,849</u>	<u>\$ 683,481</u>

### Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of this report.

### Changing membership hours within the SWATC

Student membership hours is one of the most valuable measures of education activity at the SWATC. The SWATC provides services in Beaver, Garfield, Iron and Kane counties. During fiscal year 2005, the SWATC experienced a significant 24,067 (11.4%) increase in membership hours. Secondary student membership hours increased by 9.8% and adult student membership hours increased by 13%.

### Membership hour history

<u>Year</u>	<u>Hours</u>	<u>Growth</u>
FY 2002	258,088	
FY 2003	265,365	2.8%
FY 2004	211,456	(18.1%)
FY 2005	235,523	11.4%

### Relationship between unemployment rates and membership hours

The majority of UCAT campuses experienced an increase in membership hours during FY2005, with the UCAT system showing an overall increase of 2.66%. The State's seasonally adjusted unemployment rate fell from 5.6% a year ago to 4.8% in July 2005. Although there has been speculation that the increase in people working may correspond to a decrease in people requesting training from UCAT institutions, SWATC and UCAT were able to increase the number of training hours provided.



### **Requests for Information**

This financial report is designed to provide a general overview of the Southwest Applied Technology College's finances for all those with an interest in government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Dana L. Miller, Office of the Campus President, Southwest Applied Technology College, 510 West 800 South, Cedar City, UT 84720.

# **SOUTHWEST APPLIED TECHNOLOGY COLLEGE**

## **Statement of Net Assets**

**June 30, 2005**

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	683,481
Accounts Receivable	128,047
Total Current Assets	<u>811,528</u>
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	1,587,164
Total Noncurrent Assets	<u>1,587,164</u>
TOTAL ASSETS	<u>2,398,692</u>
Liabilities	
Current Liabilities:	
Accounts Payable	407,456
Salaries Payable	65,682
Capital Lease Obligation Payable - Current	93,915
Total Current Liabilities	<u>567,053</u>
Noncurrent Liabilities:	
Capital Lease Obligation Payable - Noncurrent	1,108,926
Total Noncurrent Liabilities	<u>1,108,926</u>
Total liabilities	<u>1,675,979</u>
Net Assets	
Invested in capital assets, net of related debt	384,323
Unrestricted	338,390
Total net assets	<u>722,713</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST APPLIED TECHNOLOGY COLLEGE**  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2005

OPERATING REVENUE:

Charges for Services	278,428
TOTAL OPERATING REVENUE	<u>278,428</u>

OPERATING EXPENSES:

Salaries	759,192
Benefits	279,318
Purchased Services	890,658
Supplies	246,647
Depreciation	<u>90,257</u>
TOTAL OPERATING EXPENSES	<u>2,266,072</u>
OPERATING INCOME (LOSS)	<u>(1,987,644)</u>

NONOPERATING REVENUES (EXPENSES):

Sale of Capital Assets	298,342
Government Appropriation - State	1,695,666
Government Appropriation - Federal	130,579
Interest Expense on Capital Lease Obligation	<u>(38,821)</u>
TOTAL NONOPERATING REVENUES (EXPENSES):	<u>2,085,766</u>

NET INCOME (LOSS)	98,122
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TOTAL NET ASSETS - BEGINNING OF YEAR	<u>624,591</u>
TOTAL NET ASSETS - ENDING OF YEAR	<u><u>722,713</u></u>

The accompanying notes are an integral part of these financial statements.

# **SOUTHWEST APPLIED TECHNOLOGY COLLEGE**

## **Statement of Cash Flows For the Fiscal Year Ended June 30, 2005**

Cash Flows From Operating Activities	
Charges for Services	278,428
Payments for employee Services	(1,032,149)
Payment to Suppliers	(754,737)
Net Cash Provided (Used) by Operating Activities	<u>(1,508,458)</u>
Cash Flows from Noncapital Financing Activities	
State Appropriations	1,609,121
Receipts from Federal Grants	89,077
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,698,198</u>
Cash Flows from Capital Financing Activities	
Sale of Capital Assets	298,342
Interest Expense on Capital Lease Obligations	(38,821)
Purchase of Capital Assets	(3,450)
Principal Paid on Capital Lease Obligations	(91,179)
Net Cash Provided (Used) by Capital Financing Activities	<u>164,892</u>
Net Increase (Decrease) in Cash	354,632
Cash - July 1	<u>328,849</u>
Cash - June 30	<u><u>683,481</u></u>
Reconciliation of Net Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	(1,987,644)
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:	
Depreciation	90,257
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Receivables	
Accounts Payable	382,659
Salaries Payable	6,270
Increase (Decrease) in Operating Assets	<u>479,186</u>
Net cash provided by operating activities	<u><u>(1,508,458)</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST APPLIED TECHNOLOGY COLLEGE (SWATC)**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Southwest Applied Technology College (SWATC) conform to generally accepted accounting principles in the United States of America as applicable to colleges and universities. The following is a summary of the more significant accounting policies.

The SWATC operates under the direction of a Board of Trustees consisting of seven area business representatives; a representative board member of each of the Iron, Beaver, Garfield, and Kane County School Districts; and a representative member of the Utah State Board of Regents and a representative of the Board of Trustees of Southern Utah University. The SWATC provides applied technology education to the high school students of the school districts served as well as the adult populations in the four counties served.

**A. Reporting Entity**

The SWATC is a regional college of the Utah College of Applied Technology a component unit of the State of Utah as defined by GASB Statement No. 14, "The Financial Reporting Entity." The financial activity of the SWATC is included in the Utah College of Applied Technology's Comprehensive Annual Financial Report as a discrete component unit.

The Iron County School District serves as the fiscal agent for SWATC and processes the financial transactions of the SWATC. Transactions of the SWATC are not reported in the District's financial statements.

**B. Financial Statement Presentation**

The SWATC financial statements are based upon all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standard Boards (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

In June 1999, the GASB approved Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," followed by Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public College and Universities." The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, and changes in net assets, and cash flows replacing the fund-group perspective previously required.

**SOUTHWEST APPLIED TECHNOLOGY COLLEGE (SWATC)**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Under the provisions of the GASB standards, the College is permitted to report as a special purpose government engaged in business-type activities (BTA). BTA reporting requires the College to present only the basic financial statements and the required supplemental information (RSI) for an enterprise fund. This includes a Management Discussion and Analysis, a Statement of Net Assets or Balance Sheet, a Statement of Cash Flows, notes to the financial statements, and other applicable RSI. The required basic financial statements above are prepared using the economic measurement focus and the accrual basis of accounting.

The financial statements of the SWATC are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

The more significant of SWATC's accounting policies are described below.

**D. Cash Equivalents**

The College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah Public Treasurers' Investment Fund are also considered cash equivalents.

**E. Capital Assets**

Capital assets include property, and plant equipment. Capital assets are defined by the SWATC as assets with an initial unit cost of \$2,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**SOUTHWEST APPLIED TECHNOLOGY COLLEGE (SWATC)**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

Property, plant, and equipment of the SWATC are depreciated using the straight-line method over the following useful lives (see Note 5 for further detail).

Assets	Years
Buildings	40
Furniture	10
Office Equipment	10
Vehicles	8
Audio/Visual Equipment	6
Computer Equipment	3

**F. Operating Revenues and Expenses**

The statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues. For this purpose, operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the SWATC. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the SWATC's principal activities (such as investment income) and from all nonexchange transactions (such as grants).

**G. Net Assets**

The College's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the College's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

*Restricted - expendable:* Restricted expendable net assets include resources which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

*Unrestricted:* Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational activities and auxiliary enterprises. These resources are used for transactions relating to the education and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any legal purpose.

**H. Compensated Balances**

Compensated balances are those absences for which employees will be paid such as vacation and sick leave. SWATC policies do not allow for the accumulation by employees of either vacation or sick leave. Vacation and sick leave are charged to operations as they are incurred. As a result of SWATC policies, no provision is made in the financial statements for unused leave which at any point in time would not be material.

**SOUTHWEST APPLIED TECHNOLOGY COLLEGE (SWATC)**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 2. STATE AND SCHOOL - COST SHARING RETIREMENT PLAN:**

Plan Description. The SWATC, through Iron County School District, contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the Iron County School District is required to contribute 8.89% of their annual covered salary. In the State and School Noncontributory Retirement System the Iron County School District is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Iron County School District's and the SWATC's contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$18,838, \$17,141 and \$16,135 respectively and for the Noncontributory Retirement System the contributions for June 30, 2005, 2004 and 2003 were \$2,884,300, \$2,542,416, and \$2,481,654 respectively. The contributions were equal to the required contributions for each year.

**NOTE 3. DEFERRED COMPENSATION PLANS**

The SWATC, through the Iron County School District, offers a deferred compensation plan to all its employees under a plan administered by the Utah State Retirement Office established in accordance with Internal Revenue Code Section 457 and Internal Revenue Code Section 401k . Employees are permitted to defer a portion of their salary until future years. The assets and income of the 457 and 401k Plans are held in trust by the Utah State Retirement Office for the exclusive benefit of the participants or their beneficiaries and are not assets of the SWATC.



**SOUTHWEST APPLIED TECHNOLOGY COLLEGE (SWATC)**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 4. RISK MANAGEMENT:**

The SWATC is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of God, and job related illness or injury.

The Iron County School District (District) as fiscal agent for SWATC has procured insurance through the Utah State Risk Management which, in SWATC's estimation, is adequate to reduce the risk of loss to a manageable level.

**NOTE 5. CAPITAL ASSETS**

	CAPITAL ASSETS NOT DEPRECIATED		CAPITAL ASSETS DEPRECIATED	
	<u>Land</u>	<u>Buildings</u>	<u>Furniture, Machinery, and Equipment</u>	<u>Totals</u>
<b>Primary Government</b>				
<i>Governmental Activities</i>				
Balance, January 1,	\$44,318	\$1,667,277	\$444,178	\$2,155,773
Increases			3,450	3,450
Decreases				
Balance, December 31,	<u>44,318</u>	<u>1,667,277</u>	<u>447,628</u>	<u>2,159,223</u>
Accumulated Depreciation				
Balance, January 1,		208,410	273,392	481,802
Increases		41,682	48,575	90,257
Decreases				
Balance, December 31,		<u>250,092</u>	<u>321,967</u>	<u>572,059</u>
Capital Assets, Net	<u><u>44,318</u></u>	<u><u>\$1,417,185</u></u>	<u><u>\$125,661</u></u>	<u><u>\$1,587,164</u></u>
<b>Primary Government</b>				
Capital Assets, Net	<u><u>\$44,318</u></u>	<u><u>\$1,417,185</u></u>	<u><u>\$125,661</u></u>	<u><u>\$1,587,164</u></u>

# SOUTHWEST APPLIED TECHNOLOGY COLLEGE (SWATC)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE 6. LONG-TERM LIABILITIES

#### Capital Lease Agreements

The SWATC's outstanding lease agreements include the financing of building construction costs in prior years. The building is leased from the Iron County School District and qualifies as a capital lease with an Interest rate of 3%. The lease agreement carries with it a Utah State Legislative commitment to fund the lease over the lease term.

The debt service requirements for capital lease are:

#### Governmental Activities

##### Capital Leases

Year Ending	Iron County School District	
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 93,915	\$36,085
2007	96,732	33,268
2008	99,634	30,366
2009	102,623	27,377
2010	105,702	24,298
2011-2015	578,021	71,979
2016-2016	<u>126,214</u>	<u>3,786</u>
Totals	<u>1,202,841</u>	<u>227,159</u>

Interest expense charged to the statement of revenues, expenses and changes in net assets for the year was \$38,821.

### NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Investment: SWATC holds investments in the Utah State Treasurer's Pool. Such investments are evidenced by deposit receipts issued by the Utah State Treasurer's Office. The degree of risk associated with the investments held by the State Treasurer's Pool depends on the underlying portfolio. Therefore, these amounts are not categorized according to risk. The summary of investments provided by the Utah State Treasurer indicates pool investments in commercial paper, certificates of deposit, corporate notes, US Treasury obligations, and obligations of agencies of the United States. The following table summarizes investments.

	<u>Carrying Amount</u>	<u>Fair Value</u>
PTIF	\$ 683,481	\$ 683,481

**SOUTHWEST APPLIED TECHNOLOGY COLLEGE (SWATC)**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

**NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

A reconciliation of cash and investments as shown on the combined balance sheet is as follows:

Carrying amount of investments	\$ 681,481
Total	\$ <u>681,481</u>

**NOTE 8. FUNCTIONAL CLASSIFICATIONS**

The College's operating expenses by functional classification were as follows:

Instruction	\$ 1,628,860
Student Support Services	299,536
Administration	258,765
Operation & Maintenance of Facilities	<u>117,732</u>
Total	<u>\$ 2,304,893</u>

**NOTE 9. ACCOUNTS RECEIVABLE**

The College's accounts receivable at June 30, 2005 consist of the following:

Perkins Tech. Preparation Grant	\$ 79,919
Perkins Leadership Sub. Grant	20,000
Perkins Career & Technology Education	16,122
AmeriCorps Grant Receivable	5,380
Miscellaneous Revenue	<u>6,626</u>
Total Accounts Receivable June 30, 2005	<u>\$ 128,047</u>

**NOTE 10. RECONCILIATION OF UNRESTRICTED NET ASSETS WITH BUDGETARY AMOUNTS**

Net Assets per financial Statements	\$ 722,713
Less Net Assets Invested in Capital Assets	( 384,323)
Total Unrestricted Net Assets	\$ <u>338,390</u>

Net Assets internally designated for;	
Custom Fit Expenses	\$ 82,543
Home Construction	71,310
Net Assets available for appropriation	<u>184,537</u>
Total Unrestricted Net Assets	<u>\$ 338,390</u>

# Wilson & Company

Certified Public Accountants / A Professional Corporation

## **SOUTHWEST APPLIED TECHNOLOGY COLLEGE (SWATC) REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees of the  
Southwest Applied Technology College

We have audited the basic financial statements of the Southwest Applied Technology College (SWATC), a component unit of the State of Utah, as of and for the year ended June 30, 2005, and have issued our report thereon dated March 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the SWATC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the SWATC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters that involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of SWATC in a separate letter dated March 10, 2006.

This report is intended solely for the information and use of the SWATC's management and the Office of the State Auditor. However, this report is a matter of public record and its distribution is not limited.



WILSON & COMPANY  
Certified Public Accountants

Cedar City, Utah  
March 10, 2006